

## Message Text

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ACTION EUR-12

INFO OCT-01 EA-12 ISO-00 SP-02 USIA-15 AID-05 EB-08  
NSC-05 SS-15 STR-05 OMB-01 CEA-01 L-03 H-02 PA-02  
PRS-01 CIAE-00 COME-00 FRB-01 INR-07 NSAE-00  
XMB-04 OPIC-06 LAB-04 SIL-01 /113 W  
-----003900 081816Z /53

R 081743Z NOV 77  
FM AMEMBASSY BONN  
TO SECSTATE WASHDC 2961  
DEPARTMENT TREASURY  
INFO AMEMBASSY BERN  
AMEMBASSY BRUSSELS  
AMEMBASSY LONDON  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMEMBASSY TOKYO  
AMCONSUL FRANKFURT

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USEEC ALSO FOR EMBASSY, USOECD ALSO FOR EMBASSY

DEPARTMENT PASS FEDERAL RESERVE

E.O. 11652: N/A  
TAGS: ECON, EFIN, GW  
SUBJECT: FINANCIAL DEVELOPMENTS  
(WEEK ENDING NOVEMBER 7)

### 1. TAX RELIEF PROGRAM READY TO BE SIGNED INTO LAW:

THE DM 10.8 BILLION COMPROMISE TAX RELIEF PACKAGE  
PROPOSED BY THE BUNDESTAG/BUNDESRAT CONFERENCE  
COMMITTEE AND APPROVED BY THE BUNDESTAG ON OCTOBER 27  
-- SEE BONN 18174 -- WAS APPROVED BY THE BUNDESRAT ON  
NOVEMBER 4 AND IS NOW READY TO BE SIGNED INTO LAW.  
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MOST OF THE TOTAL ANNUAL RELIEF (DM 9.3 BILLION IN  
1978) WILL BENEFIT PRIVATE INDIVIDUALS IN THE FORM  
OF INCREASED EXEMPTIONS FROM THE PERSONAL INCOME TAX;  
THE REMAINDER (DM 1.5 BILLION IN 1978) WILL BENEFIT  
BUSINESS THROUGH MORE GENEROUS DEPRECIATION ALLOWANCES.

### 2. FOREIGN EXCHANGE MARKETS:

FOLLOWING THE RATHER SHARP DECLINE OF THE DOLLAR'S VALUE  
VIS-A-VIS THE DEUTSCHEMARK AT THE END OF OCTOBER THE  
DOLLAR STRENGTHENED ON GERMAN FOREIGN EXCHANGE MARKETS  
IN THE OPENING WEEK OF NOVEMBER. DEALERS SAY THE DOLLAR  
WAS GIVEN A PSYCHOLOGICAL LIFT IN RESPONSE TO ASSISTANT  
SECRETARY BERGSTEN'S REMARKS THAT THE YEN AND DEUTSCHE-  
MARK WERE NO LONGER UNDERVALUED.

FOR THE REPORTING PERIOD, FRANKFURT SPOT AND FORWARD  
DOLLAR RATES DEVELOPED AS FOLLOWS:

	FORWARD DOLLARS				
	SPOT DOLLARS		(IN PCT. PER ANNUM)		
	OPENING	FIXING	CLOSING	ONE-MONTH	THREE-MONTH
NOV 1	2.2400	2.2374	2.2425	-3.2	-3.6
2	2.2385	2.2440	2.2500	-2.7	-3.4
3	2.2450	2.2488	2.2475	-2.9	-3.5
4	2.2565	2.2585	2.2560	-3.5	-3.5
7	2.2560	2.2558	2.2580	-2.8	-3.4
8	2.2635	2.2616	N.A.	N.A.	N.A.

### 3. MONEY MARKETS:

FOR THE PERIOD NOVEMBER 1 - 7, FRANKFURT INTERBANK  
RATES DEVELOPED AS FOLLOWS:

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	CALL MONEY			ONE/MONTH	THREE-MONTH
NOV 1	3.95	- 4.00	4.00	4.10	
2	3.90	- 4.00	3.95	4.10	
3	3.75	- 3.90	3.95	4.10	
4	3.90	- 4.00	3.95	4.10	
7	3.90	- 4.00	3.95	4.10	

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AMEMBASSY LONDON  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMEMBASSY TOKYO  
AMCONSUL FRANKFURT

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#### 4. BOND MARKET:

ON THE MARKET FOR DOMESTIC BONDS SLIGHT PRICE DECLINES  
PREVAILED. ACCORDING TO THE PRESS, AVERAGE CURRENT  
YIELDS OF OUTSTANDING DOMESTIC BONDS WERE AS FOLLOWS:

##### REMAINING MATURITY

(YEARS)	1	3	5	7	9	10
OCTOBER 28	4.35	5.10	5.60	6.00	6.25	6.35
NOVEMBER 4	4.35	5.05	5.55	5.95	6.25	6.30

#### 5. FOREIGN DM BONDS:

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ON THE FOREIGN DM BOND MARKET THE FOLLOWING LOANS  
WERE OFFERED; HUNGARIAN NATIONAL BANK: DM 100 MILLION,  
COUPON 6 1/2 PERCENT, ISSUE PRICE 100, MATURITY 8 YEARS;  
NORWEGIAN NORGES HYPOTEKFORENING: DM 60 MILLION,  
6 PERCENT, ISSUE PRICE 99 3/4, 12 YEARS NON-CALLABLE;  
EUROPEAN COUNCIL: DM 100 MILLION, 6 1/4 PERCENT, 10  
YEARS WITH REPAYMENT BEGINNING AFTER 5 YEARS. TWO  
PRIVATE PLACEMENTS HAVE BEEN REPORTED, ONE FOR THE  
CARLSBERG BREWERY (DM 20 MILLION), THE OTHER FOR THE  
DANSK EKSPORT (DM 75 MILLION). THE CARLSBERG PLACEMENT  
REPORTEDLY CARRIED A COUPON OF 6 PERCENT, AN ISSUE PRICE  
OF 100 AND A MATURITY OF 10 YEARS; THE DANSK EKSPORT

PLACEMENT, A 6 PERCENT COUPON, AN ISSUE PRICE OF 99 3/4, AND AN AVERAGE MATURITY OF 3 YEARS. THE TOKYO SANYO ELECTRIC COMPANY, LTD., REPORTEDLY WILL OFFER CONVERTIBLE BONDS OF DM 50 MILLION. THE COUPON WILL BE 5 PERCENT WITH SEMI-ANNUAL INTEREST PAYMENTS, THE ISSUE PRICE 100, AND THE MATURITY 6 YEARS. THE CONVERSION RIGHT WILL BECOME EFFECTIVE FEBRUARY 1, 1978. ACCORDING TO THE FINANCIAL PRESS THE TOTAL ISSUE OF FOREIGN DM BONDS IN NOVEMBER WILL AMOUNT TO DM 1.1 BILLION FOLLOWING ISSUES OF DM 1.2 BILLION EACH IN OCTOBER AND SEPTEMBER.

6. ECONOMIC INDICATORS PUBLISHED THIS WEEK:

NON-SEASONALLY ADJUSTED FIGURES  
(PERCENT CHANGE FROM PREVIOUS YEAR'S LEVEL)

JULY AUGUST SEPT OCT

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CONSUMER PRICES 4.3 3.9 3.7 3.8

SEASONALLY ADJUSTED UNEMPLOYED

1977

THOUSANDS AS PCT. OF LABOR FORCE

JAN	1020	4.5
FEB	1007	4.4
MAR	1009	4.4
APR	1024	4.5
MAY	1040	4.6
JUNE	1045	4.6
JULY	1051	4.6
AUG	1048	4.6
SEPT	1042	4.6
OCT	1041	4.6

SEPTEMBER ORDER VOLUME AND  
INDUSTRIAL PRODUCTION DATA ARE  
CONTAINED IN BONN 18427.  
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## Message Attributes

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**Copy:** SINGLE  
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**Decaption Note:**  
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**Errors:** N/A  
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**Office:** ACTION EUR  
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**TAGS:** ECON, EFIN, GE  
**To:** STATE TRSY MULTIPLE  
**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009